

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Grosse Pointe</u>	County <u>Wayne</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>May 27, 2004</u>	Date Accountant Report Submitted To State: <u>August 23, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address <u>10 South Main Street, Suite 200</u>	City <u>Mount Clemens</u>	State <u>MI</u>	ZIP <u>48043-7903</u>
Accountant Signature  			

# **Township of Grosse Pointe Wayne County, Michigan**

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**Financial Report  
March 31, 2004**

# Township of Grosse Pointe

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**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Township of Grosse Pointe  
Wayne County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Grosse Pointe as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Grosse Pointe's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Grosse Pointe as of March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

May 27, 2004

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# Township of Grosse Pointe

## Combined Balance Sheet - All Fund Types and Account Group March 31, 2004

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Agency	General Fixed Assets	
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 15,969	\$ 16,779	\$ -	\$ 32,748
Investments (Note 2)	44,816	22,149	-	66,965
Taxes receivable	5,476	61,001	-	66,477
Due from other funds	7,821	-	-	7,821
Furniture and equipment (Note 3)	-	-	469,956	469,956
Total assets	<u>\$ 74,082</u>	<u>\$ 99,929</u>	<u>\$ 469,956</u>	<u>\$ 643,967</u>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 336	\$ -	\$ -	\$ 336
Due to other funds	-	7,821	-	7,821
Due to other governmental units	-	92,108	-	92,108
Deferred revenue	6,722	-	-	6,722
Total liabilities	7,058	99,929	-	106,987
<b>Fund Equity</b>				
Investment in general fixed assets	-	-	469,956	469,956
Fund balance - Unreserved	67,024	-	-	67,024
Total fund equity	67,024	-	469,956	536,980
Total liabilities and fund equity	<u>\$ 74,082</u>	<u>\$ 99,929</u>	<u>\$ 469,956</u>	<u>\$ 643,967</u>

# Township of Grosse Pointe

## Combined Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Current property tax levy	\$ 168,000	\$ 178,180	\$ 10,180
Interest and penalties on delinquent taxes	1,500	11,568	10,068
Tax administration fees	82,000	88,407	6,407
Interest on investments	1,000	2,963	1,963
Miscellaneous	100	2,904	2,804
Total revenue	252,600	284,022	31,422
<b>Expenditures</b>			
Township Board	6,600	6,325	275
Supervisor	7,200	7,200	-
Financial	10,000	13,894	(3,894)
Assessor	14,500	13,160	1,340
Legal	3,000	3,596	(596)
Clerk	76,300	69,914	6,386
General office	30,000	30,000	-
Commissions and boards	6,200	6,350	(150)
Treasurer	13,800	16,140	(2,340)
Hall and grounds	85,000	97,454	(12,454)
Total expenditures	252,600	264,033	(11,433)
<b>Excess of Revenue Over Expenditures</b>	-	19,989	19,989
<b>Fund Balance - April 1, 2003</b>	47,035	47,035	-
<b>Fund Balance - March 31, 2004</b>	<u>\$ 47,035</u>	<u>\$ 67,024</u>	<u>\$ 19,989</u>

# Township of Grosse Pointe

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## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Grosse Pointe (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Township is governed by an elected, five-member Board. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with these criteria, there are no component units.

#### **Fund Accounting**

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

#### **Governmental Fund**

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes and other local sources.

#### **Fiduciary Fund**

**Agency Fund** - The Agency Fund is used to account for assets held by the Township as an agent for other governments or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### **Basis of Accounting**

All governmental funds and the Agency Fund utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the Township are recorded as revenue when earned. Other revenue is recorded when received.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Properties are assessed as of December 31. The related property taxes are billed on December 1 of the following year and become a lien at that time. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenditures.

**Fixed Assets** - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

The General Fixed Assets Account Group is not a fund and does not involve the measurement of results of operations.

**Investments** - Investments are reported at fair market value, based on quoted market prices.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund types and account group and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.



# Township of Grosse Pointe

## Notes to Financial Statements March 31, 2004

### Note 2 - Deposits and Investments

The Township's deposits and investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 32,748
Investments	<u>66,965</u>
Total	<u>\$ 99,713</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 32,748
Bank investment pools	<u>66,965</u>
Total	<u>\$ 99,713</u>

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$33,273, all of which was covered by federal depository insurance.

#### Investments

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares. The Township believes that the investments in these funds comply with the investment authority noted above.

# Township of Grosse Pointe

## Notes to Financial Statements March 31, 2004

### Note 3 - Furniture and Equipment

A summary of furniture and equipment at March 31, 2004 follows:

Balance - April 1, 2003	\$ 469,956
Additions	-
Disposals	-
	<hr/>
Balance - March 31, 2004	<u>\$ 469,956</u>

### Note 4 - Shared Expenses and Elected Officials

The Township made the following payments to the Village of Grosse Pointe Shores for shared expenses for the year ended March 31, 2004:

Rent	\$ 20,000
Insurance	20,000
Administrative services	60,000

A member of the Township Board of Trustees is also a member of the Village Council for the Village of Grosse Pointe Shores.

### Note 5 - Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The statement comparing actual to budgeted revenue and expenditures is presented on the same basis of accounting used in preparing the adopted budget.

The budget is adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in the general purpose financial statements.

### **Note 6 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township participates in the Michigan Municipal Risk Management Authority State Pool program for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") State Pool program also operates as a common risk-sharing management program. A portion of the excess insurance is underwritten by the Authority itself.

### **Note 7 - Upcoming Reporting Change**

For the fiscal year beginning April 1, 2004, the Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements, including the reporting of information on the Township's governmental activities on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.